



Mayotte's Economy in 2012

Signs of improvement, despite persistent economic difficulties

After 2011, which was marked by a decline in economic activity due to a whole host of social conflicts and the worsening financial situation of local authorities, there was a slight improvement in the economy in 2012, mainly thanks to a more positive trend in the second half of the year.

Firstly, the economic difficulties continued in the first half of the year, like at the end of 2011: the main economic indicators fell back and the persistence of a tense social climate prevented companies from returning to a high level of activity. The business climate subsequently benefited from a more positive perception of business trends and renewed investment plans. It saw an exceptional upturn in the third quarter and remained on a positive trend at the end of the year. However, economic conditions continue to be fragile and the main indicators remain unstable. There has, in particular, been a marked downturn in household consumption. The labour market lacks dynamism and prices have started rising again.

This gradual recovery in the business climate benefited the construction industry, which showed modest signs of an upturn, despite an activity that remained weak and a lack of short-term visibility. The service and retail activity did, however, decline once again, as well as activity in the tourism industry as a result of the drop in air traffic.

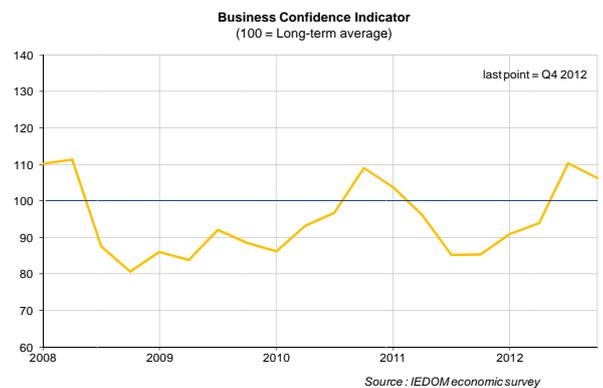
In this context, the financing of the economy by the local banking system was strong, as was the case with the collection of deposits, mainly thanks to a dynamic second half of the year. There was an increase in lending activity, particularly investment loans and loans to households. The risk borne by credit institutions did, however, continue to deteriorate.

RECOVERY REMAINS FRAGILE

Marked recovery in business climate

The Business Confidence Index (BCI) improved in 2012. It notably saw a marked upturn in the third quarter, as it rose above its long-term average and remained at that level at the end of the year (+6.2 points in the last quarter).

This upturn can be explained by the improvement in investment plans and by economic agents having a more positive opinion of their activity. While the improvement in the BCI is a sign of more moderate economic difficulties, the level of economic activity does remain relatively low and is not yet sufficient for there to be a real recovery.



Inflation driven by food and services

Prices rose throughout 2012, with the exception of a slight decrease in the third quarter. This was moderate at the beginning of the year, then gathered pace in the second half. Consequently, as a yearly average, inflation (+1.4%) was lower than in 2011 (+3.3%). However, in December 2012, it rose by 2.8% year-on-year, *i.e.* a higher increase than in 2011 (+1.2%) and than in France as a whole in 2012 (+1.3%).

All products contributed to this increase, particularly food and drink products (+5.3%) and services (+2.6%).

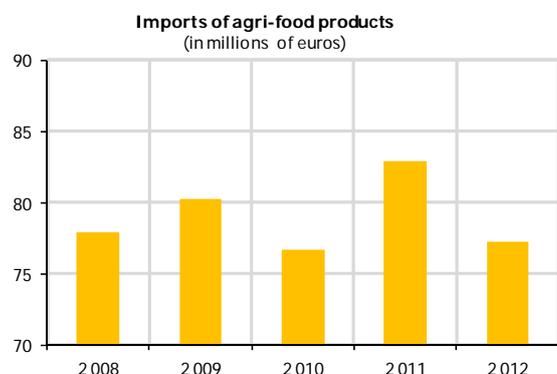


More positive trend for labour market

At 31st December 2012, the number of jobseekers (end-of-month Category A) had fallen slightly (-1.9% year-on-year) to 8,585 people. The trend is similar for the yearly average (-2.2%). This trend concerns all age groups, with the exception of jobseekers under 25.

The number of job offers recorded at the end of 2012 stood at 2,232, up 13.7%. The percentage of these offers that were filled remained stable at around 84.0%.

Household consumption down



Source : Customs, seasonally adjusted IEDOM

Following an overall increase in 2011, household consumption deteriorated continually in 2012, despite a slight upturn in the fourth quarter.

Consequently, imports of food products, textiles and household equipment fell compared to 2011 by 6.8%, 10.3% and 39.6%, respectively. There was also a sharp drop – 60% – in the number of new car registrations, from 255 to 102 vehicles registered between 2011 and 2012.

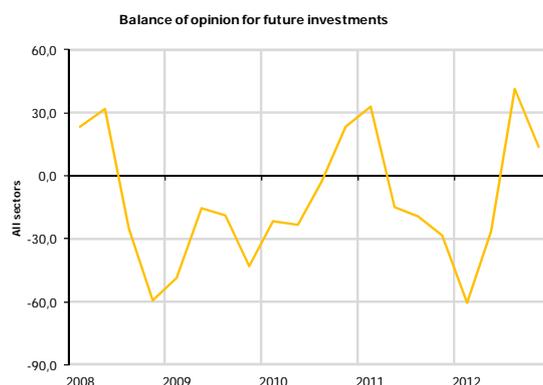
At the same time, business leaders in the retail sector reported a negative trend for economic activity throughout the year. Outstanding consumer loans fell slightly by 0.8% in 2012.

Finally, certain households continue to be in a precarious financial situation: the number of bank card confiscations and natural persons banned from holding a bank account increased by 27.4% and 6.3%, respectively, between December 2011 and December 2012.

Mixed trend for investments

There was an extremely mixed trend for investments in 2012, depending on the sectors.

The lack of short-term visibility for business leaders, following the social conflict in the autumn of 2011, continued to restrict their investment decisions during the first half of the year. However, there was an exceptional upturn in future investment plans in the third quarter of 2012. These forecasts remained positive until the end of the year. This trend is corroborated by the stock of outstanding investment bank loans, which soared in the second half of 2012 (+22.8% compared to the first half). Furthermore, imports of professional capital goods fell sharply compared to 2011 (-39.2%, seasonally adjusted data), despite a 26.1% increase (seasonally adjusted data) in the third quarter of 2012. In the retail and market services sectors the overall trend for business leaders' future investment plans remained negative throughout the year. However, in the construction industry and industry sector, entrepreneurs expressed their intentions to invest from the second quarter onwards. Outstanding real estate loans to households and companies rose between the last quarters of 2011 and 2012, by 11.1% and 6.9%, respectively.

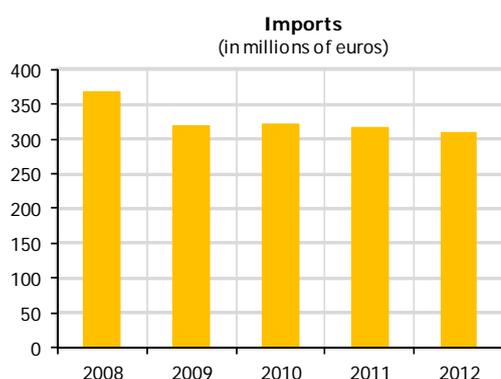


Source: IEDOM economic survey, seasonally adjusted.

Slight fall in imports

Imports fell once again (-1.9%), after the decreases in 2011 and 2010, as a result of the decline in imports for households (decrease in imports of food products, textile products and household equipment by 6.8%, 10.3% and 39.6%, respectively) and, to a lesser extent, companies (39.2% decrease in imports of professional capital goods). The main export items were food products, minerals, machinery and equipment.

Exports, which remained at a low level (they were only equivalent to 2.3% of imports), rose (+8.6%), after a sharp drop in 2011 due to re-exports of machinery and equipment and transport equipment.



Source: Regional Customs Department, seasonally adjusted by IEDOM.

MORE POSITIVE TREND FOR SECTORAL ACTIVITY AT THE END OF THE YEAR

Upturn in aquaculture but ylang-ylang sees continuous decline

The agricultural sector continues to be unstructured and uncompetitive. Exports of essence of ylang, after having fallen by 72.0% in 2011, fell sharply again (-79.8%) in 2012.

The aquaculture sector has, however, been restructured and has regained a level of activity that would now appear to be stable. Consequently, exports of fish from fish farming, which had been stopped since the last quarter of 2011, resumed in the second quarter of 2012 and rose sharply (+103.5% year-on-year), in particular thanks to an exceptional increase in the third quarter of 2012.

Poultry imports rose steadily throughout the year, except in the second quarter, and thus increased by 38.7% in 2012.

Mixed year for industrial sector

There was a sharp decline in activity in the agri-food industry in the first half of the year, prior to it benefiting from an upturn at the end of the year, combined with a more positive trend for investment plans. However, this was not sufficient to raise the level of imports and exports of food products, which fell by 14.5% and 15.3%, respectively (seasonally adjusted data).

It was a difficult year marked by a decline in activity for all industrial sectors, except for the third quarter, when the situation was particularly positive.

Small signs of recovery in the construction industry at the end of the year

After two rather subdued years in a row, the construction industry showed small signs of recovery at the end of the year. Following a social conflict in the fourth quarter of 2011, activity suffered in the first half of 2012 under the combined effect of a lack of activity and long payment periods on the part of local authorities. Consequently, industry professionals in the sector had to lay off workers and resort to short-time work. From the third quarter of 2012 onwards, the effective launch of the recovery plan and the replenishment of the Inter-municipal Equalisation Fund (FIP) eased cash flow pressures somewhat and made a marked improvement to the situation. This can be seen with the exceptional upturn in cement imports (+34.8%, seasonally adjusted data) between the second and third quarter. However, the lack of short-term visibility and continuing need to make decisions over the workforce highlight the fragile nature of this upturn.

Fresh decline in retail and service sectors

The retail sector, which had already declined in 2011, suffered from the fall in household consumption and experienced a further downturn in 2012. This decline in activity was combined with job losses and regular cash flow pressures.

Activity in the market services sector also experienced a sharp downturn in the first half of the year, which resulted in it being downsized. Investments to extend and diversify activities in the third quarter did, however, lead to a slight improvement in the level of activity in the last quarter.

Decline in tourism industry

In 2012, tourism professionals and their partners continued their efforts to structure the sector and promote Mayotte as a destination. Consequently, in addition to taking part in international fairs and organising events on the island, a rating procedure introduced at the beginning of the year gave two hotels a two-star rating and a three-star rating to two others. Furthermore, as part of the "Vanilla Islands" concept, a Mayotte-Réunion combination has been proposed and now gives the opportunity to spend ten days divided equally between the two islands. Finally, in December 2012 an airline company introduced a new Marseille-Dzaoudzi-Saint-Denis-Marseille line, which provides an additional solution to reach Mayotte from mainland France.

However, the tourism industry, which suffered from a marked decline in air traffic throughout 2012, has not yet felt the impacts of these activities. The number of non-transit passengers at Dzaoudzi Airport fell by 7.5% compared to 2011. Business leaders in the hotel and catering industry report a decline in business, which continued throughout the year.



Source: Mayotte Airport, seasonally adjusted by IEDOM.

SUSTAINED BANKING ACTIVITY, WHICH GATHERED PACE AT THE END OF THE YEAR

Continued growth in assets held by Mahoran clients

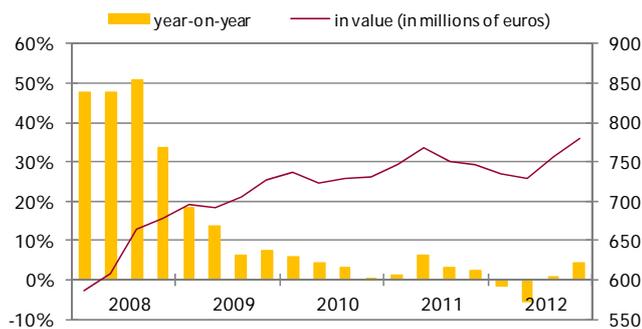
The collection activity of credit institutions fell during the first two quarters, but there was a marked upturn in the two following quarters. The total stock of financial assets held in Mayotte stood at EUR 414.9m at 31st December 2012, up 5.7% year-on-year (after +6.3% in 2011 and +7.0% in 2010).

This trend concerns all local economic agents, the first being companies (+10.6% over the year, *i.e.* EUR +13.4m), whose assets have been boosted by the increase in their overnight deposits. Household savings followed the general trend, with a EUR 6m increase in collection in 2012 (+3.0%), and benefited from the regular rise in collection on the Livret A passbook accounts (EUR +2.4m, *i.e.* +15.5%), driven by measures to raise the limits at the end of the year. Finally, the assets of other agents (mainly local authorities) rose by 4.8% over the year (EUR +3.0m).

Rise in lending activity, but further deterioration of risk

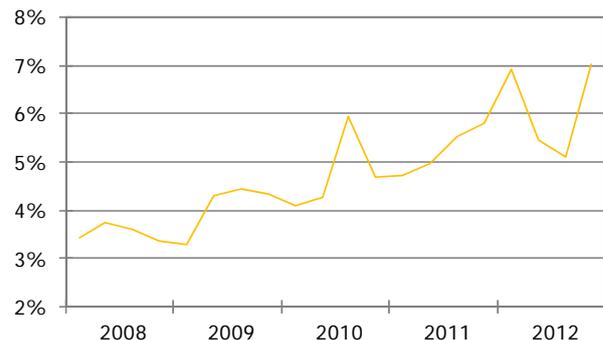
At the end of 2012, the total amount of outstanding loans allocated by all credit institutions (whether established locally or not) stood at EUR 829.4m and rose by 5.3% (after +3.5% in 2011 and +1.0% in 2010). This reflects an increased contribution by the banking system to the financing of the economy, which was particularly visible in the fourth quarter. The less marked increase in outstanding performing loans (+4.4% to EUR 779.9m) does, however, highlight a further deterioration in the quality of commitments as a whole. Consequently, with +1.2 points against +1.1 points in 2011, the rate of doubtful loans (7.0%) for local credit institutions deteriorated again. The dynamic growth trend for performing corporate loans (+18.0% year-on-year) was particularly positive for investment loans in the last two quarters and led the overall trend. Outstanding performing loans to households also rose by 4.9% during the year (against +3.5% in 2011). They were mainly bolstered by home loans, a traditionally dynamic market that accounts for over half of personal loans, which have been experiencing strong growth (+11.1%, after +5.8% in 2011).

Trend for performing loans in all credit institutions



Source: IEDOM, Surfi.

Rate of gross doubtful loans in local credit institutions



Source: IEDOM, Surfi.

SIGNS OF AN UPTURN IN THE ECONOMIC SITUATION IN 2013?

In Mayotte, 2013 will be devoted to continuing the convergence of its legal and regulatory system towards common and community law, in particular as part of the finalisation of procedures to acquire the European Union (EU) status of outermost region (OMR) as of 1st January 2014. It will also be marked by the formalisation of the Regional Development Strategy (RDS), which will define the guidelines of the island's development policy for the next ten years, and the identification of development programmes that may be financed by European structural funds.

In this context, which is dynamic but characterised by a high level of uncertainty, the signs of a recovery seen at the end of 2012 should drive activity and investment decisions in 2013. This trend may be conducive to a slow, but gradual, economic recovery, even though Mayotte's economic fundamentals are likely to remain fragile.

However, the two main engines of the economy – household consumption and public procurement – are expected to continue to be dynamic in 2013. Indeed, household consumption is expected to resume under the combined effect of the increase in the statutory minimum wage on 1st January 2013 and certain welfare benefits and the forthcoming introduction of the indexation of civil service wages. This could also benefit activity in the retail sector. Public procurement, for its part, is expected to remain at a fairly high level thanks to programmes financed by the State, Department and local authorities in the sectors of urban, social and real estate infrastructure. These prospects may benefit activity in the construction industry, if they are not affected by the overlong payment periods that would place a burden on companies' cash flows. These forecasts are corroborated by the opinions of directors of local banking institutions in Mayotte, who are expecting a fairly dynamic activity for the financing of the economy (investment and operating loans to companies and home loans to households) in 2013.

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